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C O N F I D E N T I A L SECTION 01 OF 04 KYIV 002481

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SUBJECT: UKRAINE: REGIONS FOCUSES ON CAMPAIGN; PUTS ASIDE
INTERNAL DIFFERENCES

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Classified By: Ambassador for reasons 1.4(b,d).

11. (C) Summary. Pouring money and manpower into its campaign effort, Party of Regions leaders have put aside their differences to aim for another win in the September 30 Rada election -- as all polls show them doing -- but squabbles over policy direction and coalition formation could resurface in the wake of their victory. Although Regions remains the most popular party in the country with a rating between 30-34 percent, it seems frustrated with the lack of a marked increase in support over the last two months and concerned that Tymoshenko may be enjoying a bump in popularity. To that end, Regions has redoubled efforts to draw support in the East and South from its coalition allies and has tried to avoid public discussion of a broad coalition with the President's team, which would be unpopular with its electoral base. Inside the party, there seems to be a continued debate about whether to work with Yushchenko and Our Ukraine or with the Communists, and whether Yanukovych or Akhmetov has the upper hand in the party leadership. At the same time, Regions continues to run a well-financed and organized campaign that has allowed it to make inroads into central Ukraine, picking up some support from disillusioned orange supporters and former Socialist voters.

12. (C) Comment. Regions' ability to overcome internal tensions to achieve a common goal, in this case winning a plurality in the elections, will serve it well as it moves toward a first place victory on September 30. However, it is unlikely to win an outright majority by itself. Therefore, its main challenge will be to come to terms with what its key goals are and what coalition will best serve those goals. The business wing led by Akhmetov will push hard for a broad coalition with OU that will advance better relations with Europe, while Yanukovych will lobby hard for any variant that guarantees him a return to the premiership. End summary and comment.

Polls Show Regions Holding the Lead...

13. (SBU) Polls show Regions holding steady between 30-34 percent, although Regions leaders are now publicly claiming that they believe they will win 38 percent of the vote. An IFES poll released in mid-September showed Regions is retaining a solid 70.7 percent of its 2006 voters. In comparison, BYuT is showing similar retention of 73.4 percent, while OU has a retention rate of only 31.5 percent of its 2006 voters absolutely committed to support OU again this time. Moreover, Regions while not surprisingly dominant in East and South, is now a close second behind BYuT in

central Ukraine with 27.5 percent to BYuT's 29.8 percent support.

...But Regions Says Dirty Tricks Will Affect Vote Tally

¶4. (C) However, given that that the difference of just a couple of percentage points will affect the seat distribution to their advantage or disadvantage, Regions has been increasingly concerned about their ratings and the absence of a significant increase in support over 2006. To that end, Regions has moved to protect its flank from its Communist and Socialist coalition allies, participating in September 4 and 20 Socialist-called rump Rada sessions and pushing forward a referendum on an official status for the Russian language and Ukrainian neutrality (read no NATO membership). In addition, Regions at several points in the campaign, has threatened to withdraw from the election entirely.

¶5. (C) Number 4 on the Regions list Inna Bohoslovska told the Ambassador in early September that the polls showed Regions/Communists and BYuT/OU-PSD running neck and neck, with Regions/Communists ahead by 2 percent, or just 500,000 votes. They believed Presidential Chief of Staff Baloha was preparing to falsify elections to increase the vote count for orange by 5 percent. Therefore, Regions' goal was to be ahead by 4 percent -- or by one million voters -- when the campaign ended. To get to that point Regions needed to "radicalize" the campaign and that meant, they would have to talk about NATO membership and Russian language. Otherwise, she said, "we won't win." That same day, Regions' campaign head Kolesnikov announced that Regions would begin a campaign to collect signatures in order to hold a referendum on making Russian an official language and approving a non-bloc status for Ukraine (reftel).

¶6. (C) Regions financier Rinat Akhmetov echoed this concern

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in a subsequent conversation with the Ambassador. He said he believed dirty tactics could alter the vote results by 3 percent, comparing it to 2004, when the vote was almost 50-50 and, he argued, "corrupt courts" got involved and changed the outcome by 2 percent. Therefore, Regions was working on ways to protect its votes. This was what convinced Regions to participate in the September 4 Rada session (note -- and presumably the one on September 20). Akhmetov had not wanted to go back to the Rada, but Regions' political consultants had warned them that if they chose not to go, this would open them up to criticism by the Socialists and Communists that they were betraying the coalition, which could result in the loss of 2-3 percent of the vote; Yanukovych told Akhmetov that he was not willing to risk it, so he approved Regions going to the session.

Regions' Moves Forward in the Center

¶7. (C) With the campaign winding down, all sides are now focused on getting out the vote, with Regions concentrating efforts not only on their base, but on expanding support in central Ukraine. Bohoslovska told the Ambassador that Regions had no hope of making ground in western Ukraine, but was paying serious attention to the center. Before the campaign began, Regions numbers were growing by about 5 percent. Zhytomyr was a test case for the center -- "if we win in Zhytomyr, we will win in the center" -- and claimed that Regions was now leading in Zhytomyr by 5 percent. Bohoslovska said people in the center voted with their stomachs; they understood that if Regions is in power, there will be jobs and prosperity, but Orange in power means more in-fighting and instability. (Note: She also argued that western Ukrainians voted with their hearts and eastern Ukrainians with their heads. End Note.)

¶8. (SBU) In travels across the country, Regions' oblast

campaign leaders have told us they are looking for support from voters who did not vote in 2006, as well as from former BYuT supporters. In Uman, for example, they hoped to tap into the "reserve" of approximately 27,000 of Uman's 67,000 eligible voters who did not cast a ballot in 2006 and hoped to see as much as a 35 percent showing for POR. CVU reps in Cherkasy and Bila Tserkva (Kyiv oblast) said that disappointed BYuT supporters, turned off by land grab scandals and local mismanagement, might drift to Regions. In 2006, Regions got 13 percent in Bila Tserkva, but they were hoping to get more this time, due to BYuT/OU inaction and mishandling of local issues - predicted as much as 30 percent support. In Zhytomyr, the POR group emanated discipline and resolve, and said that POR expected to get about 30 percent of the oblast vote, as it did in the third round of the 2004 elections. (Note. Regions received almost 18 percent in 2006. End note.) In the former Socialist stronghold of Vinnytsyia, Regions hoped to improve its numbers from 8 percent in 2006 to 17 percent; counting on both disillusioned Socialists and ex-Orange voters to provide support this time.

¶9. (SBU) Poloffs have found that Regions campaign headquarters are well-funded and well-organized, with lots of visible manpower. They are also increasing their staff size as they try to expand into the center. In Uman and Odesa, party leaders said there had been significant turnover in party membership in the past two years; Odesa said membership had doubled in the last 18 months. Interestingly, in Cherkasy and Kirovohrad, according to election watchdog Committee of Voters of Ukraine, party leaders loyal to Regions leader DPM Klyuyev have been replaced by Kolesnikov followers. CVU said that Regions will pick up support in those central oblasts.

But Will it Help?

¶10. (C) Leading journalist and deputy editor of Dzerkalo Tyzhnya Yuliya Mostova told the Ambassador in mid-September that she thought that the electorate was unable to move between the three groups (OU, BYuT, and Regions). For example in Kharkiv, Regions got 78 percent of the vote in 2006; now Minister of the Cabinet of Ministers Tolstukhov was panicking because only 48 percent supported Regions. But it didn't matter -- those who do not support Regions now won't vote for another force, they simply won't vote. This is the same situation in the West. Political analysts Serhiy Taran and Yevhen Poberezhny made a similar argument to Mostova's. They said that Regions had a natural ceiling of support, about 35 percent. They had reached that ceiling and there was little else they could do.

¶11. (C) Leaders from other parties have told us they are

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hoping that frustration with the Yanukovych government will lower turnout for Regions or will benefit other parties. Bloc leader Volodymyr Lytvyn told the Ambassador that voters in Luhansk were increasingly angry at political intrusion from the Donetsk-based Regions, but also unwilling to support orange, a situation he was hoping to capitalize on. Lytvyn described voters throughout Ukraine as demoralized and polarized and doubtful that voting would bring any change. OU-PSD leader Yuriy Lutsenko said his hope is that these voters will stay home, lowering the total turnout for Regions.

Regions: Splintering or Holding Strong?

¶12. (C) There is always media and analytical attention in Kyiv on the dynamics within Regions, with particular focus on the relationship between Yanukovych and Akhmetov, and how strong the party is. Number 5 on the Regions list Nestor Shufrych -- a new party member -- told the Ambassador that the Party of Regions was made up of several different groups,

but said that when threatened, all parts of the party will always join forces against the threat. PM foreign policy adviser Gryshchenko told us that he didn't buy the analysis that Regions was strongly divided between Akhmetov/Kolesnikov and Yanukovych/Klyuyev.

¶13. (C) Bohoslovska, another party newcomer, said she had not expected to see democracy in the Regions political structure, but was surprised to observe that not a single decision was made unilaterally. There are many groups and interests in the party and discussions are continued until a consensus is reached. Bohoslovska said that she wasn't surprised that there wasn't a "dominating force," but she also did not expect to see the search for compromise within the party. Twenty senior people, "not two or three," plus regional leaders participate in decision-making. She acknowledged that there were pro-Russian politicians in Regions' ranks, but noted that they were not ideological, but instead had an "old way of thinking." She argued that the easterners in Regions' ranks were pragmatic.

¶14. (C) On the other hand, rumors in Kyiv are circulating that the reason that Regions is the only party not using pictures of party leaders in its campaign advertising is because Akhmetov instructed the campaign headquarters to avoid using Yanukovych's picture in order to limit the increase of the Prime Minister's personal popularity any further. In the final days of the campaign, Regions' tv ads are now closing with a brief shot of the PM, but nothing like the extensive personal coverage he received in 2006. In turn, according to political analyst Volodymyr Fesenko, the Yanukovych team was trying to weaken the Kolesnikov/Akhmetov team now to prevent them from negotiating by themselves with Yushchenko after the election.

Coalition Negotiations May Highlight Party Divides

¶15. (C) Preferences within Regions for a new majority coalition differ. Akhmetov has been very open that he wants a Regions-OU coalition, which he told the Ambassador would unite the country. He said that this view was not universally held within Regions, but in the end he thought the party would support it. Bohoslovska said that the electorate does not want to hear talk of cooperation and broad coalitions right now and that public discussion of a broad coalition had hurt Regions and Our Ukraine. She added that this did not mean that a broad coalition wasn't their goal, but that discussion would come later.

¶16. (C) In contrast, Shufrych said that a broad coalition was very unlikely given the fact that the country was about to launch into the 2009 presidential elections. Shufrych argued that every day Yushchenko was canceling more CabMin decrees and was heavily involved in the OU-PSD campaign; if he wants agreement on a broad coalition, why is he doing this? Shufrych said that if Regions joins in a coalition with the Communists, then he believes that Yushchenko will not submit the designated name to the Rada to be PM. However, the CabMin law is now the law of the land, and therefore, the Constitutional Court would uphold Regions' right to submit its own name to the Rada and Yanukovych will again become PM. (Note. According to the controversial CabMin law passed in January, if the President does not forward the coalition's choice for PM to the Rada for consideration within 15 days, the Rada coalition can call for the vote itself. End note.)

Mostova: Yanukovych's Position Within Regions Strengthening

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¶16. (C) Journalist Mostova told the Ambassador that Akhmetov wants a coalition with OU. The question was whether the coalition would be with or without Yanukovych. Mostova said that she had talked to everyone in Regions and there was no

answer yet. Akhmetov would like to dump Yanukovych, but can't. Yanukovych had succeeded in getting back the PM job and was looking to hold onto it, in part by building up his own financial resources. In the past, Mostova claimed, Yanukovych had been given money, but had no resources or property of his own and was dependent on others. Now others like PM Chief of Staff Lyovochkin and shady businessman Firtash were charged with amassing real estate and working as business agents for Yanukovych. For example, the VAT kickbacks weren't going to First Deputy PM and Finance Minister Azarov -- they were going to the PM. Yanukovych now had his own "serious money."

¶17. (C) In addition, Mostova said that Yanukovych was now getting the love and support of the people. This meant Yanukovych was not Akhmetov's puppet; he was the face of the party that cements it together. In her view, Yanukovych was increasingly questioning why some "thugs" should tell him what to do when he was so popular with the people. Mostova said that Yanukovych's support within the party was strong and that if he joined a broad coalition with OU, he would not lose support. In her view, if Yanukovych proposed joining NATO tomorrow, his supporters would be calm, explaining this change in policy as a result of a secret deal made with Putin. In fact, a coalition with OU would be a gain for Yanukovych since people in the West would understand him better.

¶18. (C) Mostova added that because it was Yushchenko and Akhmetov, followed by Baloha and Kolesnikov, who had reached the agreement to hold pre-term elections, and because Akhmetov did not speak for the whole of Regions (just as Yushchenko/Baloha don't speak for the whole of OU-PSD), it will fall on Akhmetov and Kolesnikov if the elections do not go well. Mostova suggested that Baloha and Kolesnikov may end up as the main scapegoats for each side's failures after the election if events don't turn out as desired.

¶19. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
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